

The President's Daily Brief

26 May 1973

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THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Iceland

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Yugoslav

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In Chile, the costly strike at the El Teniente copper complex is entering its sixth week. (Page 4)

In response to the US paper on MBFR, Bonn has tentatively opted for an initial reduction of 10 percent in stationed ground forces followed by a cut in indigenous ground forces. (Page 5)

At Annex, we discuss the weakening economic and political situations in Chile.

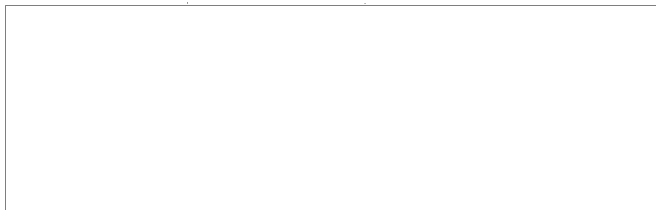
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ICELAND



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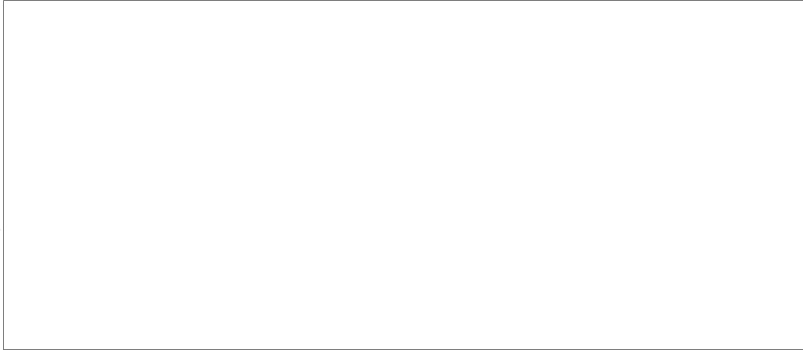


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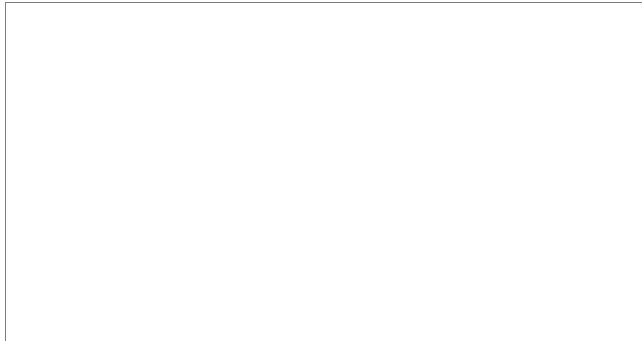
YUGOSLAVIA



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NORTH VIETNAM

The North Vietnamese theoretical journal, Hoc Tap, has published a candid and somewhat defensive explanation of the "main force" strategy of party First Secretary Le Duan. The article claims that Hanoi had no choice but to mount a big unit war in the South in the face of heavy US involvement. It admits that the Paris Agreement was the best Hanoi could do in view of the "balance of forces between us and the enemy."

The article contains the usual praise for the "major military efforts" that contributed greatly to the Communists' "success." Its principal message seems to be, however, that the over-all goal of the war was US withdrawal, and with that accomplished Hanoi intends to pursue different tactics.

The article gives no indication that Le Duan's own position is endangered.

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CHILE

The costly strike at the El Teniente copper complex is now entering its sixth week. It has severely damaged the Allende government's chances of improving its shaky foreign exchange position. The domestic political fallout now involves an effort by the opposition Christian Democrats to impeach the ministers of mining and labor.

This is only a small sampling of the problems now converging on Allende. The weakening political and economic situations in Chile are examined in greater detail at Annex.

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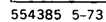
WEST GERMANY - MBFR

In response to the US paper on MBFR, Bonn has tentatively opted for an approach that calls for an initial reduction of 10 percent in stationed ground forces followed by a cut in indigenous ground forces.

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Other NATO members who have commented on the paper are leaning toward this view.





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NOTES

Argentina: President Campora's cabinet is composed primarily of moderate Peronists. The economic portfolios in particular have gone to well-known figures who have advocated avoiding radical change. Peron's private secretary, Jose Lopez Rega, who has been named Minister of Social Welfare, is likely to be the conduit between Campora and Peron and could emerge as the strongest member of the government.

China:

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Lop Nor nuclear test site shows that test preparations at GZ-5--the new ground zero--are well along.

Cambodia: The arrival of reinforcements and munitions has eased the situation at the government's Mekong River base at Neak Luong. Small Khmer Communist units continue to shell and probe government positions on both sides of the river near Neak Luong and around Prey Veng City to the north, but all positions are said to have held. Intercepts continue to reflect Communist intentions to carry out coordinated attacks against Routes 2, 3, and 4 near Phnom Penh; some messages suggest the attacks will start early next month.

USSR-Egypt: The Soviets have announced that their trade with Egypt dropped by about 20 percent in 1972, the first such decline since the 1950s. The Soviets did not list the causes, but a number of largely unrelated factors appear to have been involved, including a drop in Egyptian crude oil production, a decrease in economic aid shipments, and the diversion of some Egyptian cotton from the USSR to hard currency markets. The Soviet military withdrawal last summer was also a factor, because the USSR records some military-related shipments in its non-military trade figures.

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CHILE: CONTINUED ECONOMIC AND POLITICAL DETERIORATION

The demonstrated ability of the Chileans to retreat from the brink of political chaos may be approaching its most severe test. Even political veterans like the Chilean Communists fear that tensions are near the breaking point and that the economic strains of the coming winter months may set off wide-scale violence and perhaps a military coup.

At the heart of the matter is the interaction among a variety of disruptive economic and political factors. None is new, but many are more pressing now than they were during the strikes and shutdowns last October when President Allende coped with his worst crisis to date.

--Economic disintegration continues in all sectors. Most nationalized enterprises are losing money. They are poorly managed and their workers undisciplined. Strikes are prevalent.

--The most costly strike--at the big El Teniente copper complex--is entering its second month. It has already cost Chile millions in lost exports.

--The copper miners have long been Chile's highest paid workers, and Allende cannot give in to their wage demands without touching off similar demands from other workers.

--Inflation is running at a rate of over 200 percent a year.

--Food shortages continue and will grow worse in the coming months.

--Political bitterness is mounting as Chileans become more rigidly polarized into pro- and anti-government camps. Opposition losses in the March elections have led many to despair of legally recapturing political power in the presidential elections of 1976.

--Both the government and opposition camps include violence-prone fringe groups.

The increasing political polarization, of course, has reduced Allende's ability to exploit the Chilean predilection for political compromise. His room for maneuver even among the contending political factions in his own coalition has been reduced

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as a result of the elections last March. The strong showing by the more radical Socialists and the growing influence of leftist extremists have made it more difficult for him to consolidate power through the relatively cautious means he and the pragmatic Communists have favored.

For its part, the opposition still has a slim majority in Congress, but it is not a cohesive force. On the extreme right is the Fatherland and Freedom Group, which is now renewing its plotting with civilians and military officers for Allende's overthrow. It has little support in the National Party and is anathema to the Christian Democrats. Its activities seem likely to accomplish little beyond bolstering the government's claim that Chile is threatened by fascist sedition and civil war.

Leaders of the armed forces are caught in the middle. They retain their firm commitment to constitutionality and their gratitude to Allende for improving substantially the armed forces' material benefits as well as in enhancing their role in the country. Yet they are being drawn more and more to the conclusion that Allende's policies are ruinous and that the military will ultimately be called to play a crucial role in setting things right.

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The key military figure is still army commander General Carlos Prats, whose continued support is vital to Allende. Many of his subordinates look to him as the only man who might be able to stand up to Allende and force him to modify his policies. Prats himself has probably given thought to the idea that under some circumstances he might actually have to replace Allende.

One of Prats's biggest fears is that an abortive coup attempt might provoke widespread violence, critically split the armed forces and thus eliminate the military as a restraint on Allende.

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